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Asia Society

Mike Mansfield 1903-2001

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Memo:USIS PRESS

TO: Ms. McCaules for
the Ambassador
FROM: CAROL E. LUDWIG
EMI LYNN YAMAUCHI

DATE: 5/29

This is a transcript of the Ambassador's off-the-cuff remarks before the Asia Society, should he want it for his files.

- EMI

INFORMATION SECTION: EXT. 7643/7414

Off the cuff
m.m.

AMBASSDOR'S SPEECH AT THE ASIA SOCIETY
AT INTERNATIONAL HOUSE, MAY 20, 1985

Ladies and Gentlemen, I'm delighted to have this opportunity on this historical occasion, to discuss with you matters of mutual interest as they affect my country's relations with Japan and with this part of the world.

The chief difficulty between Japan and the United States has to do with the imbalance in trade. It has caused me concern to listen to what certain members of Congress have had to say, what certain banks have had to recommend, and what certain businessmen have suggested.

After I left New York in mid-March, I went to Washington for two weeks. Just after the Senate had passed a 'Sense of the Senate Resolution' by a vote of ninety-two to nothing, aimed at Japan and followed that up with legislative action out of the Finance Committee, seeking to do in fact what the Senate had really done in theory.

Fortunately the Easter recess came along and the capital was shed of the Congress for two weeks, and since the Congress has been back, little has been said -- thanks to the budget, Nicaragua, Bitburg and other topics which have taken up most of Congress' time.

But it doesn't mean that the fire has been put out, it's just simmering. And when the members of Congress look at that thirty-five billion dollar deficit with Japan, they begin to get angry and frustrated and emotional against Japan.

What they ought to do instead of looking at a part of the picture, is to look at the picture as a whole, and recognize that in addition to a thirty-five billion dollar deficit with Japan, we also have a twenty billion dollar deficit with Canada -- nobody mentions that -- a 16.9 billion dollar deficit with Western Europe -- nobody mentions that -- a sixteen billion dollar deficit with Latin America including Mexico, and an eleven billion dollar deficit with Taiwan; a hundred and twenty-three billion dollars in deficit last year.

As ^{Ev.} ~~Ed.~~ Dirksen used to say "a billion here, a billion there, put it all together, it adds up." And that's what our trade deficit last year amounted to.

Now, there is no question but that Japan has to open its markets, much more than it has up to this time, even though it is moving in the right direction.

The key-word in our relationship from our point of view is 'access, access'. We want the same opportunities in this market that Japan has, generally speaking, in our market. I think Nakasone is moving in that direction. I would like to see him move a little faster, but he hasn't got the power that many of us think he has.

I would like to see Japan consider a reduction in tariffs both agricultural and industrial to a sum zero, and I would like to see other countries follow suit. I would like my own country to recognize that this part of the world is extremely important to us. It isn't just Japan, it is four more Japans coming up -- Korea, Taiwan, Singapore, Hong Kong -- and there will be other Japans coming up after those Japans as well.

We're talking about the most sustained prosperous area in the world. Over the past decade we had a ^{deep} recession at home; they had a ripple of a recession here. They know how to get things done because they turn out quality products at competitive prices. Nobody has to buy a product made by Japan, but they buy them because they are of good quality, and competitively priced.

Why don't we do the same? We are beginning to. In autos, we have been increasing our productivity slightly; it is a U-turn from the decrease with that productivity over the past ~~thirteen~~ ^{thirty} previous years. We have improved our quality somewhat, but not enough. We haven't followed competitive pricing especially in autos, because I think the profit is too large per car.

When you go against competitive pricing you go against one of the basic tenets of capitalism, and we haven't come through except in an abbreviated form with the kind of follow-through service. But when you look at the facts and figures you have to do some thinking of your own.

In 1975, our two-way trade with all of East Asia amounted to forty-two billion dollars. In 1983, it amounted to a hundred and thirty-three billion dollars, and with Japan it was in excess of sixty-three billion dollars.

Last year, the figure was around a hundred and eighty-two billion dollars two-way trade with all of East Asia, and with Japan approximately eighty-one billion dollars. There has never been an overseas trading relationship like that between ^{any} ~~our~~ two countries, and the same is becoming increasingly so with the other Japans coming up behind the present Japan.

What we've got to recognize is that many of the faults that have been responsible for the imbalance in the trading system have been of our own making. The over-valued dollar, sixty-six percent increase in five years. High interest rates, a decline from almost twenty-one percent in 1981 to ten percent the other day by one bank, which I understand will be followed by

others. A huge deficit. We're responsible for the over-valued dollar, for the high interest rates and for the deficit.

And I would like to see a greater degree of accommodation and cooperation between the Congress and the Administration in facing up to that problem, because if they don't, they are just passing the buck on to those who will follow us and how they'll handle it nobody knows.

If we are not a debtor nation today, we are on the verge of becoming one and if we are or if we do become one, we will make Mexico, Argentina and Brazil look like pikers.

For the first time since 1915 (we'll become a debtor nation), what a prospect to look forward to! So, I would say let's look at the notes in our own eyes. Let's do things only we can do, not only perhaps at international conferences about exchange rates -- our Secretary of the Treasury, Mr. Baker indicated just before the Bonn Meeting, that that might be a possibility, although he was not too clear as to what he had in mind.

Something about interest rates: maybe they'll go down still more, but in the meantime a lot of Japanese capital, European capital and Latin American capital is flowing into the United States -- taking advantage of the interest rates offered on T-notes, bonds and the like, and making a nice little profit over a short period of time.

But that money is vitally needed so we can pay the interest on our debt -- which amounted to a hundred and eleven billion dollars last year, the third largest item in our budget.

So, what we are facing in our trade difficulties is a two-way street. Japan has to open its markets much, much more in its own interests, because Japan has been the chief beneficiary of the international trading system. And if that system breaks down and collapses, Japan, because of its extreme vulnerability will suffer the most.

So, let's hope that something can be done about the dollar, the interest rates and the deficit. And let's hope that the Congress will have the courage to face up to amending the law which prohibits the export of surplus Alaskan oil, so that we can ship it to our friends in Japan and Asia at much less cost and bring about a possible five billion dollar dent in our deficit.

That's the big ticket item, but nobody else can face up to that particular one except ourselves. So, when we think of these factors they are subject to serious concern.

The truth, they say, never hurt anyone, but the truth sometimes is not very well received because we refuse to accept our own responsibilities. It is a sad commentary when our two

countries cannot escape the rhetoric that goes with trade imbalances, cannot face reality and recognize that we are going to have problems in trade for decades to come, and we are going to have them because of the magnitude of that trade -- if for no other reason.

I would like to say something on defense: that the defense relationship between our two countries is excellent; that Japan is a full-fledged member of a Mutual Security Treaty with us; that we are out here in Japan occupying bases in this country as the guests of the government and the people of Japan; and that these bases -- along with the Philippine bases -- form the outermost limits of our own defense first, as well as for the defense of the other countries in which those bases are located.

But one more topic, and that is what the future has in store for the Asian-Pacific area. I have given you the figures on the rise in two-way trade between East Asia and my country, forty-two billion dollars in 1975, and a hundred and eighty-two billion dollars last year.

I would add to that that there are about eight billion dollars invested in Japan by American industry, with about twenty billion dollars in the rest of East Asia -- ~~twenty-eight~~ ^{twenty} billion roughly out of approximately two hundred ~~forty-three~~ ^{forty} billion dollars invested by American industry abroad. Not enough, but it is going to increase because the average returns over a five-year period on that investment in Japan especially, but throughout East Asia as well, is the highest of any other developed region in the other world, and of many other developing regions as well.

The returns have been steady and consistent and when you look at those figures and when you see coming out of the concept which we call East Asia, a group known as ASEAN -- which has proved its effectiveness and work over almost a two-decade period -- you'll begin to get an idea of things that are stirring and things which can be built on, and things which can and should be encouraged.

On the other side of the Pacific you have the demographic trends to consider, the population shift to the South but most especially to the Southwest and the West. You find a state like California -- rich from all sources, with approximately forty billion dollars in a two-way trade relationship with all of East Asia.

Washington State, just under ten billion dollars. Oregon, coming out of its long sleep, and the latest figure and it's a new one, is about 3.5 billion dollars. And when you think of that relationship -- not even mentioning Alaska -- when you think of the fact that on Friday, I met my seventeenth U.S. governor in less than a year, you begin to get an idea of what's developing in the United States in relation with this part of the world.

Those governors are not coming out here as tourists. They're looking for business, they want Japanese investments in their country and they want investments by Koreans, Taiwanese and others as well.

And when you look at the ~~at~~ Pacific Basin which has just been achieving recognition lately; and when you consider that since the days of the founding of the American republic, the pull has always been eastward across the Atlantic where most of our people came from -- but if you look at our history, you will note that on the day that George Washington was inaugurated as our first President, there were thirteen American clippers in Canton Harbor.

And since that time the push has been westward -- the push compared to the pull -- the old Northwest territories of Ohio, Indiana and Illinois, the Midwest, Texas, the Rockies, the Southwest, California, the Northwest, Alaska, Hawaii, the Philippines.

Walt Whitman said in the last century, "Westward, ever westward to Oregon." And if he were alive today, he would say, "Westward, ever westward to the Orient," because it is all coming to pass. This intersection of trade and demographics, these trends, these movements, these facts, these patterns, these figures. And when you look at that Basin where fifty-eight percent of the world's population lives, four continents impinge on it, four South American nations front that ocean, all of Central and North America, Australia, New Zealand, the Pacific Islands, all of East Asia -- a Basin with tremendous natural resources, great potential markets, on the whole friendly peoples and governments.

It is in that Basin, that Asian-Pacific-American Basin where it is all is, what it's all about, and where our futures lie. Thank you very much.

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